

GLOBAL JOURNAL OF ENGINEERING SCIENCE AND RESEARCHES OVERVIEW OF CLASSICAL AND NEO-CLASSICAL THEORY OF MANAGEMENT

Garima

Assistant Professor, Department of Management Studies, Ganga Technical Campus, MDU, Rohtak

ABSTRACT

This research paper is a review paper which studied the classical and Neo-classical theory of management. Classical theory states that man power is an inactive source of production and it is important to control this source, the theory focus on production instead of human power. Classical theory developed around the year 1900. Neo-classical theory of management developed around the year 1930. Basis of this approach is classical theory but this approach understand the importance of human resource. An attempt is made to study both theories in detail in this research paper.

Keywords: *Scientific management, Mental revolution, Hawthorne experiment, Esprit de corps.*

I. INTRODUCTION

Classical theory of management emerged around the year 1900. This theory arised from industrial revolution and focused on improving the efficiency. According to this theory, human resource is an inactive source of production which requires control and can be motivated by economic incentives.

Classical theory further includes three approaches in it Scientific theory of management, Administrative theory of management and Bureaucratic theory of management, and father of these theories are F.W. Taylor, Henry Fayol and Max Weber respectively.

Neo- classical theory's basis is classical theory but the difference is this theory has different view for human resource and gives them more importance. The theory come into existence around the year 1930. Neo-classical theory includes two theories in it Human Relation Approach which was given by famous psychologist Elton Mayo, to give final touches to this approach he conducted some experiments with his colleagues. These experiments are known as Hawthorne Experiments.

Second approach under neo-classical is Behavioural Science Approach ,it is an improved version of the human relation approach. The exponents of this approach includes Abraham Maslow, Federick Herzberg, Douglas McGregor etc.

Objectives of the study

Objectives of the study as follow:

1. To compare the classical and neo- classical theory of management.
2. To outline the problems of classical and neo-classical theory of management.
3. To appraise the role of classical and neo-classical theorists of management in the development of these theories.

II. RESEARCH METHODOLOGY

Paper is descriptive and qualitative in nature and data collected from the secondary source of infomation.To better understand the classical and neo-classical theory various books and papers have been viewed.

Classical approach of management: Classical approach of management started around the year 1900. It focuses on the improvement in efficiency to improve the productivity. This approach came into existence due to the industrial revolution. It emphasise more on production than the human resource on an organisation. The theory consider that human resource require control and employees can be motivated by economic incentives. This approach has three branches: Scientific, Administrative and Bureaucratic.

1. Scientific Management Approach: Scientific management refers to applying the scientific techniques in management to increase the efficiency and productivity of employees.

F.W. Taylor is known as a the father of scientific management approach. In 1878, he joined the Midvale steel company as a labourer in USA and became a Chief Engineer in 1884 in same company. During this time period he observed that the work done by the workers is much less than supposed to do. He gave a lot suggestions to tackle with this problem and gave a scientific outlook to management.

This approach is based on five principles given by the F.W. Taylor, which are:

Principle of the use of science for the use of tthumb, scientific selection and training of workers, cooperation among labour and management, principle of maximum output and division of responsibility.

To implement these five principles Taylor devise the following techniques:

- (i) Scientific study of management: which includes method study, motion study, time study and fatigue study.
- (ii) Scientific task planning
- (iii) Scientific training and selection of workers
- (iv) Standardisation
- (v) Differential wage system
- (vi) Specialisation or Functional Foremanship
- (vii) Mental revolution

(2) Administrative management approach: This approach focus on organisational efficiency and comprehensive analysis of management. This approach was advocated by Henry Fayol. He presented five functions of management which are planning, organising, coordinating, commanding and controlling. The general principles suggested by Henry Fayol are considered useful in contemporary management practices, these fourteen principles are division of work, authority and responsibility, discipline, unity of command, unity of direction, priority to general interest over individual interest, fair remuneration, effective centralisation, order, equity, stability in tenure of personnel, initiative, scalar chain and esprit de corps, This approach states that span of control should not exceed six and managers are not born, but created.

(3) Bureaucratic management approach: This theory was developed by Max Weber and normaly all big organisations follow this approach. This approach states that there should be hierarchies in organisation and the division of management set up authority and control in the organisation. This approach very close to Administrative approach but more strictly. An ideal structure of organisation tried to set up by the approach. It contains the principles: proper division of work, clear hierarchy of authority, System of rules, impersonal relationship between people, promotion based on competence. These principles leads specialisation and regularity in conduct of employees.

Appraisal of Classical Approach:

This approach contains three theories, Scientific management focus on individual and concentrate on increasing productivity. Administrative management focus on total organisation and efficiency and Bureaucratic approach focus on position rather than individual , it states that organisation will continue even when an individual leaves the organisation.

Classical approach criticized on some bases: it is too much formal, suitable for simple organisations not for complex structure organisation.

Neo-classical approach of management

Neo-classical approach developed around year 1930. Classical approach focuses on productivity and machines, on the other hand neo-classical approach focus on human resource. Individual and group relationship are considered important under this approach. It contains two theories, human relations approach and behavioural science approach.

Human Relations Approach

Famous psychologist Elton Mayo presented the human relation approach. He conducted the experiment at Western Electric Company in USA during 1927 to 1932 which called Hawthorne Experiments.

Hawthorne experiment includes these stages: Illumination experiments, Relay Assembly Test Room studies, Mass Interview Programme, Bank Wiring Observation Room Study.

The study found the production is related with emotional factors, more will be the employee satisfaction, there will be more productivity. The theory considers human relations, feelings and desires.

Behavioural Science Approach

This approach is improved form of human relation approach. It involves the study of attitude and behaviour of individual and group. This theory is result of study of various streams like sociology, psychology, anthropology etc. It includes the contribution of various scholars like Douglas, Herzberg, Abraham Maslow. It studied the field of organisational behaviour.

Appraisal of Neo-Classical Approach

This approach found that Human factor is important and productivity as well as efficiency can be improved if they are treated well. The theory recognised the importance of motivation, satisfaction, leadership etc. Theory identified that if employees are treated in a better way, they will be helpful in achieving organisational goals easily. But this theory has some limitations like lack of scientific validity, human behaviour is unpredictable and it is difficult to change the attitude and thinking of management and workers.

Classical vs. Neo-classical approach

Classical theory considers human as a machine while neo-classical treated them in a better way. Classical theory focus on strict rules and autocratic management while neo-classical focus on democratic process. Classical theory focus on the employee's more remuneration and neo-classical on organizational goals. Classical theory is more formal while neo-classical is not. Classical theory focus on discipline and rationality while neo-classical on personal security.

IV. CONCLUSION

Classical and neoclassical approaches play an important role in the formation of management theories. In today's era of rapid economic development and industrial growth of various countries, classical and neoclassical theorists played a crucial role by developing different techniques of production which made them able to stand in international market. Classical approach is treated as outdated, but it is important to introduce various management thoughts. Neoclassical approach emphasized on human resource. It serves as the base to many current management theories. Hence, it is clear that the field of management have some remarkable theories. This development make it clear that there is a brighter future for the study and research of management.

REFERENCES

1. Tripathi, P C and Reddy, P N. *Principles of Management 2nd ed.* New Delhi: Tata MacGraw Hill.
2. Gupta C,B, *Business Organization And Management, 1st ed.,* New Delhi, Sultan Chand & Sons.

3. [https://www. Business.com>articles](https://www.Business.com>articles)
4. <https://study.com>academy>
5. *Robins S. P., Coulter M. and Vohra N. Management, 10th ed. India, Prentice Hall (Pearson)*
6. *Sing,R.N. Management thought and thinkers, New Delhi, Sultan Chand & Sons*